

Message Text

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DRAFTED BY EA/J:DFSMITH:BCL

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EUR/NE - MR. WORREL (DRAFT)

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FM SECSTATE WASHDC

TO AMEMBASSY TOKYO

INFO AMEMBASSY LONDON

USMISSION OECD PARIS

C O N F I D E N T I A L STATE 124387

E.O. 11652:GDS

TAGS:EGEN, OECD, JA, UK

SUBJECT: BRITISH CONCERN ABOUT JAPANESE ECONOMIC POLICY

REF: LONDON 7894

1. IN MAY 27 CALL ON EA DEP. ASST. SECY EDMOND, COMMERCIAL COUNSELOR, BRITISH EMBASSY (SHARP) STATED THAT HMG IS INCREASINGLY CONCERNED, ON BASIS OF REPORTING FROM ITS TOKYO EMBASSY AND OECD REPRESENTATIVES ABOUT CONTINUING ABSENCE OF GOJ ACTION TO REFLATE ECONOMY. BRITISH VIEW US, FRG, AND JAPAN AS ONLY COUNTRIES CAPABLE OF LEADING GLOBAL ECONOMY TO RECOVERY AND CONSIDER THAT JAPANESE, IN CONTRAST TO US AND GERMANS, HAVE NOT TAKEN ANY SIGNIFICANT POSITIVE STEPS IN THAT DIRECTION. DESPITE EARLIER INDICATIONS THAT STIMULATIVE STEPS WOULD FOLLOW SPRING WAGE NEGOTIATIONS AND DESPITE REVISION DOWNWARD OF PROJECTIONS OF JAPANESE ECONOMIC GROWTH IN 1975, GOJ, ACCORDING TO BRITISH, CONTINUES TO BE ALMOST EXCLUSIVELY CONCERNED ABOUT INFLATION AND STILL APPEARS RELUCTANT TO UNDERTAKE NEEDED SHIFT IN POLICY. SHARP REPORTED THAT AT INITIATIVE OF UK EMBASSY TOKYO HMG HAD CONSIDERED CON-
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SULTATIONS WITH US AND EC PARTNERS WITH A VIEW TO CON-

CERTED APPROACH AT TIME OF OECD MINISTERIAL MEETING, URGING GOJ TO MOVE TO REFLATIONARY POLICY, BUT HAD RULED IT OUT. HOWEVER, BRITISH EMBASSY IN WASHINGTON, ACTING ON ITS OWN INITIATIVE, THOUGHT IT USEFUL TO DISCUSS MATTER INFORMALLY WITH USG.

2. EDMOND REPLIED THAT HE PERSONALLY SHARED CONCERN THAT JAPAN SEEMS INCREASINGLY OUT OF PHASE WITH POLICIES OF OTHER OECD COUNTRIES. HE NOTED THERE ARE INDICATIONS OF DISQUIET AMONG SOME SECTORS OF US INDUSTRY ABOUT INCREASED LEVEL OF JAPANESE IMPORTS AND POINTED OUT THAT USG WAS MAINTAINING A WATCHING BRIEF ON OVERALL TRADE PICTURE. HE INFORMED SHARP THAT A FORMAL BRITISH REQUEST FOR A CONCERTED APPROACH TO THE JAPANESE ON MACROECONOMIC POLICY WOULD OF COURSE BE GIVEN CLOSE ATTENTION.

3. DEPT WOULD APPRECIATE EMBASSY COMMENTS ON BRITISH VIEWS, WHICH ARE OF PARTICULAR INTEREST IN LIGHT OF CONTINUED DECLINE IN JAPANESE IMPORTS, RISING PROTECTIONIST PRESSURES DIRECTED AGAINST JAPAN IN BRITAIN AND ELSEWHERE, AND RECENTLY CONCLUDED SPRING WAGE NEGOTIATIONS. INGERSOLL

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